

GA-1507

Disciples of Christ Historical Society
General Assembly Report
1101 19th Avenue South
Nashville, TN 37201

Rev. Dr. Todd A. Adams, Interim President

The mission of the Disciples of Christ Historical Society (DCHS) is to serve as the archive of the Christian Church (Disciples of Christ) and the Stone-Campbell movement. Understanding that our mission is sacred and our strategy is not, the Disciples of Christ Historical Society has undergone significant changes since the 2013 General Assembly.

During spring 2014, as part of the routine audit analysis, it was discovered that DCHS was continuing a practice of excessive draws on Funds Functioning as Endowment (FFE). FFE are reserve funds placed in a long-term investment pool for the purpose of making prudent draws to support operating expenses. Prudent draws, as recommended by the Christian Church Foundation are 4-5%, determined by the investment pool within the Joint Investment Trust. In preparation for the 2011 General Assembly in Nashville, Dr. Carson had informed the church that DCHS would be taking additional draws to make necessary repairs on the Phillips Building. However, an additional review of the books has shown that as early as January 2008, DCHS was taking additional draws, reaching as high of 24.5% in 2013.

After discovering the enormity of the draws, General Minister and President Sharon Watkins requested a review of the last four years of board minutes and financial statements. The review raised several concerns:

- The board was being told the draws were 7-8% when the draws were 15-30%;
- The board was receiving the auditor's report via the President without conversation with the auditors;
- The audit presented by the President was inconsistent with the audit report ("squeaky clean" vs. a qualified opinion due to \$4MM in depreciation not being recorded, poor record keeping and the inability of the finance staff to produce a financial statement);
- The board was not receiving a management letter from the Auditors and the President was unaware of such a document;
- In spite of the noted financial difficulties, raises of 5% above the cost of living, plus a new car lease were granted by the board;
- Consideration was being given to purchasing a condo as a real estate investment, rental property or hospitality suite;
- Budgets were being presented so that the overruns of \$300 to \$600K were not apparent to the board; and
- Financial reporting was changed from year to year, making it difficult to track the impact on the assets.

After finding these and other concerns, Janet Long, Audit Committee Chair and Dr. Watkins, in consultation with Glen Miles, Moderator of the General Assembly, sought a meeting with Dr. Carson and Arnold Nelson, Board Chair. Dr. Carson requested the full DCHS board attend the meeting. During the meeting, it was evident that the board was unaware of the excessive draws or their fiduciary responsibility, including the audit process. During the days following the June meeting, it was discovered that without board authorization, a contract had been negotiated for the purchase of a condominium.

Recognizing that the church cannot afford to have a ministry fold due to mismanagement, Dr. Watkins and others took prompt and necessary action to protect the ministry. This included additional meetings with Dr. Carson, Rev. Nelson, the Moderator Team, and Audit Committee Chair. Additionally Watkins assigned Associate General Minister and Vice President Todd Adams to assist with the ongoing investigation.

On July 1, 2014, Todd Adams, Associate General Minister and Vice President, at the invitation of the DCHS board, began serving as the Interim President of DCHS. From July 1, 2014 (and continuing thru March 31, 2015), Dr. Adams led the board through an analysis of the operations, staff and facilities; reduced the staff; balanced the operating budget; facilitated the decision to relocate; secured new board members with financial / business expertise; brokered the pending sale of the T.W. Phillips Memorial Building; researched and recommended a restatement of DCHS' balance sheet to restore the fund balances to the restricted accounts; completed the RFP process for site selection partnering with Bethany College, Bethany, West Virginia; and developed a plan for the relocation of the Archives. Additionally, Dr. Adams has overseen legal and insurance matters related to an employee dishonesty claim, legal matters including the purchase and sale of the aforementioned condominium, and closing the vehicle lease.

Today, the future of the Disciples of Christ Historical Society is now secure. In 2016, DCHS will be relocating the archive to a new, modern and efficient facility in partnership with Bethany College. DCHS will be located next to The Campbell Manson and the Renner Visitor's Center for Historic Bethany. After construction and relocation costs, DCHS anticipates adding over \$4MM to the operating reserves. The DCHS board voted to partner with the Christian Church Foundation and will negotiate a special provision over the funds. The Special Provision will provide an additional level of oversight and protection through the CCF Board, while properly documenting the donor or management restrictions. The Office of the General Minister and President will continue to provide Treasury Services.

At the March 2015 board meeting, the DCHS board adopted the attached Balance Sheet. The Christian Church Foundation staff assisted OGMP Treasury Services in determining the market value of the permanent funds based on 12/31/04 balances, market performance for the last ten (10) years, and CCF recommended draws. The balances in these accounts have been restored. Funds gifted to DCHS from 1/1/05 to

12/31/14 have been researched, documented and added to the balance sheet. The deficit in the operating reserve will be paid off through the sale of the building.

This fall the DCHS board in partnership with the church will review its current standing as a General Ministry of the church. At a minimum, DCHS will remain a recognized ministry partner with standing in and a reporting relationship to the General Assembly. DCHS will continue to receive funding through Disciples Mission Fund. The question before the board is, "How do we best fulfill our mission in today's digitally connected world and does DCHS need to remain a cabinet level General Ministry to do so?"

There are several positive outcomes for the church. First, the protocols put in place following the NBA bankruptcy worked. The 2005 changes to *The Design* have proven effective. Second, the cabinet and college created an executive management school for persons called to regional and general ministry staff. Finally, Dr. Adams, who is also a Certified Governance Trainer for BoardSource, has increased his teaching of "Financial Ethics and Best Practices" as well as "The Ten Responsibilities and Three Duties of Non-Profit Governance" among ministries of the church.

While the contents of the report reflect a tumultuous time in the life of a precious ministry of the Christian Church (Disciples of Christ) and the Stone-Campbell movement, the outcome is that the mission is secure and the ministry is strong.

2015 Board of Directors:

Thad Allen, West Virginia (2017)

David Ayers, Churches of Christ (2016)

Richard Cherok, North America Christian Convention (2015)

Charisse Gillett, Kentucky (2017)

Archie Jenkins, Georgia (2016)

James Johnson, Indiana (2017)

Mary Lou Kegler, Greater Kansas City / Administrative Committee representative (2016)

Lynnette Li, Indiana (2015)

Siobhan Lopez, Pacific Southwest Region (2017)

Peter Morgan, Capital Area Region and Administrative Committee representative (2016)

Bill Newton, Tennessee (2015)

Janis Sherick, Arizona (2015)

Edie Rice-Sauer, Northwest Region / Administrative Committee representative (2016)

Marsha Smith, Southwest (2017)

Bob Williams, Southwest and General Board Audit Committee member (2017)

Disciples of Christ Historical Society
Detailed Net Asset Activity
As of December 31, 2014

	1/1/2014	Income	Expenses	Transfers	12/31/2014
Unrestricted Net Assets					
Operating	793,873	327,560	(714,575)	(675,332)	(268,474)
Fixed Asset Fund	4,553,520				4,553,520
Board Designated Other					
Museum Endowment Fund	12,844	409		(13,253)	-
Equipment and Furnishing Endowment Fund	52,347	1,663		(54,010)	-
Continuing Education Fund	27,898	886		(28,784)	-
Historical Material Preservation Fund	18,339	583		(18,922)	-
Total Unrestricted	5,458,821	331,101	(714,575)	(790,301)	4,285,046
*Transferred to CCF in 2015					
Temporarily Restricted Net Assets					
<i>For Operations</i>					
C. Jayne & Thomas P. Hopson Fund	15,654	720	-	192,597	208,971
Peter & Lynn Morgan Endowment Fund	3,069	379	-	(3,146)	302
Willis Jones Endowment Fund	16,733	1,993	-	(2,993)	15,733
Jeannette Byers Annuity	-	492	-	5,728	6,220
Dale & Betty Fiers Endowment Fund	26,336	2,397	-	(8,370)	20,363
Lin & Inez Scott Cartwright Endowment Fund	86,969	8,715	-	(34,105)	61,579
Eva Jean Wrather Endowment Fund	262,716	25,524	-	(99,977)	188,263
Mildred W. Phillips Building Endowment Fund	13,694	5,844	-	49,506	69,044
Brown-McAllister Annuity	25,350	3,062	-	(3,532)	24,880
James & Dudley Seale Publications Endowment Fund	(6,762)	723	-	19,837	13,798
Howard E. Short Periodicals Endowment Fund	-	-	-	37,801	37,801
Cherokee CC of Prairie Village, KS Endowment Fund	-	(88)	-	-	(88)
Dietrich Bonhoeffer Confessing Church Endowment Fund	9,021	1,243	-	621	10,885
Henry Barton Robison Endowment Fund	5,118	511	-	-	5,629
Edward G. Holley Book Endowment Fund	7,820	872	-	(1,982)	6,710
Watkins Reading Room Fund	7,303	-	(7,303)	-	-
Land Acquisition & Insurance Endowment Fund	14,662	998	-	(15,660)	-
<i>For Research Interns</i>					
Cannon-Benoit Internship Endowment Fund	8,152	837	-	(2,482)	6,507
<i>Annual recognition of a leader giving whole church leadership</i>					
Wade Rubick Endowment Fund	11,054	1,021	-	(4,852)	7,223
<i>For Scholarships for In House Research</i>					
Carl Ketcherside Scholarship Endowment Fund	14,986	1,874	-	(1,310)	15,550
<i>For Lectures & Seminars</i>					
Forrest H. Kirkpatrick Endowment Fund	125,528	13,914	-	(32,845)	106,597
Joe A. & Nancy Vaughn Stalcup Seminar Endowment Fund	-	1,119	-	(186)	933
Forrest Reed Lecture Endowment Fund	18,612	2,112	-	(4,270)	16,454
Total Temporarily Restricted	666,015	74,262	(7,303)	90,380	823,354

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	1/1/2014	Income	Expenses	Transfers	12/31/2014
Permanently Restricted Net Assets					
<i>For Operations</i>					
C. Jayne & Thomas P. Hopson Fund	-			709,334	709,334
Peter & Lynn Morgan Endowment Fund	5,147	1,000			6,147
Willis Jones Endowment Fund	26,505				26,505
Roland & Kitty Huff Endowment Fund*	10,672	-		7,328	18,000
Jeannette Byers Annuity	10,000				10,000
Dale & Betty Fiers Endowment Fund	24,810				24,810
Lin & Inez Scott Cartwright Endowment Fund	99,000				99,000
Eva Jean Wrather Endowment Fund	290,350				290,350
Mildred W. Phillips Building Endowment Fun	111,000				111,000
Brown-McAllister Annuity	40,000				40,000
James & Dudley Seale Publications Endowmen	22,182				22,182
Howard E. Short Periodicals Endowment Fund	60,761				60,761
Cherokee CC of Prairie Village, KS Endowme	-	27,000			27,000
Dietrich Bonhoeffer Confessing Church Endov	17,500				17,500
Henry Barton Robison Endowment Fund	5,794				5,794
Edward G. Holley Book Endowment Fund	10,787				10,787
Land Acquisition & Insurance Endowment Fu	16,741			(16,741)	-
<i>For Research Interns</i>					
Cannon-Benoit Internship Endowment Fund	10,000				10,000
<i>Annual recognition of a leader giving whole church leadership</i>					
Wade Rubick Endowment Fund	11,100				11,100
<i>For Scholarships for In House Research</i>					
Carl Ketcherside Scholarship Endowment Fun	25,000				25,000
<i>For Lectures & Seminars</i>					
Forrest H. Kirkpatrick Endowment Fund	171,374				171,374
Joe & Nancy Vaughn Stalcup Seminar Endown	1,500				1,500
Forrest Reed Lecture Endowment Fund	26,452				26,452
Total Permanently Restricted	996,675	28,000	-	699,921	1,724,596
Total Net Assets	7,121,511	433,363	(721,878)	-	6,832,996

Recommended Action:

The General Board receives the report from the Disciples of Christ Historical Society and forwards the report to the 2015 General Assembly for consideration and discussion.